

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY)
FOR APPROVAL OF FINANCING TO ENCOURAGE)
THE USE OF HIGHLY EFFICIENT ELECTRIC) CASE NO. 93-419
HEATING/COOLING SYSTEMS AS A PILOT)
PROGRAM)

O R D E R

On November 4, 1993, Kentucky Utilities Company ("KU") applied for authority to finance \$300,000 for a pilot program to encourage residential customers to install high efficiency heat pumps and geothermal heating and cooling systems. The financing will be offered through National City Bank, Lexington, Kentucky, which will administer and process the loans. KU stated that the proposed financing will not increase any rates, charges or schedules of any customer.

The number of bank loans will be limited to approximately 40 and will range from \$3,500 to \$5,000 for heat pumps and from \$5,000 to \$10,000 for geothermal systems. KU is proposing to "buy down" the bank's interest rates, 8 percent on heat pumps and 8.25 percent on geothermal systems, to 7 percent. The buy down is estimated to cost \$6,000 based on loans for 30 heat pumps and 10 geothermal systems.

The direct cost of this program, \$6,000, will have an insignificant impact on KU's financial condition. However, since

KU will be guaranteeing \$300,000 in loans, it will be obligated for any amounts not paid by the debtors.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the financing by KU is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. KU be and it hereby is authorized to issue indebtedness not to exceed \$300,000 in conjunction with a residential heat pump and geothermal system pilot program as described in its application.

2. Commencing June 1, 1994, KU shall file quarterly reports on the pilot program detailing the number of participants, the type and cost of each system installed, the type of system replaced, the loan buy down costs, the loans unpaid, and the total cost of the program.

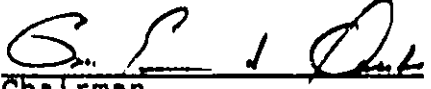
3. KU shall include in its June 1, 1994 report a detailed description of how the pilot program will be evaluated and a time table for determining whether the program should be expanded.

4. KU shall provide the final evaluation as described in paragraph 3 above within 60 days of its completion.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 14th day of February, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director